



Fairfax County Internal Audit Office

**Office of Partnerships
Business Process Audit Report**

July 2003

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Executive Summary

We found that controls over departmental computing and FAMIS payment transactions were adequate and operating effectively. The access to payroll, purchasing and financial accounting systems was appropriate based on user job responsibilities and the information was adequately secured. However, compliance with County policies and procedures related to procurement and invoice payment processes needs to be improved. Issues noted were:

- Supporting documentation could not be located for any of the seventeen Office Depot purchases made during FY 2002. In addition, written procedures for handling Office Depot purchases had not been developed in accordance with DPSM guidelines.
- A significant percentage (82%) of vendor invoices reviewed was not documented with the date of receipt. Lack of such documentation prevents review of the timeliness of invoice payments or any determination whether the office is taking advantage of prompt payment discounts.

Scope and Objectives

This audit was performed as part of our Fiscal Year 2003 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards. The audit covered the period of July 2001, through June 30, 2002, and our objectives were as follows:

1. To review processes and determine compliance with applicable regulations and guidelines.
2. To evaluate internal controls over the following business processes:
 - personnel time and attendance
 - personnel actions
 - procurement payments
 - departmental computing processes and procedures.

The scope of our audit included a review of management and internal controls which focus on the business processes of the Office of Partnerships during FY 2002. Our audit did not include testing of procurement cards because a detailed procurement card review was performed in January of 2002.

Methodology

Our audit approach included interviewing appropriate employees, observing employees' work functions and detail testing of the department transactions on a sample basis. We evaluated for compliance with Accounting Technical Bulletins, Personnel Regulations and Department of Purchasing and Supply Management Guidelines.

Findings, Recommendations, and Management Response

1. Office Depot Purchase Documentation

During FY 2002, seventeen Office Depot purchases, totaling \$6,500, were made by the Office of Partnerships. We found that no records exist to verify the appropriate disposition of materials purchased. We were unable to perform the audit tests due to lack of supporting documentation for the seventeen Office Depot purchases.

Department of Purchasing and Supply Management guidelines recommend that the receipt of goods be evidenced by a signature on the packing list or delivery slip. Fax orders must contain an authorized signature. In addition, departments should establish their own written procedures for Office Depot purchases in accordance with DPSM guidelines.

The effect of this circumstance is that there is no way to verify the appropriate disposition of materials purchased. The prior individual responsible for the purchases resigned. The current Administrative Assistant responsible for the Office Depot purchases could not locate the FY'02 supporting documents for the purchases.

Recommendation: The Office of Partnerships should establish a set of procedures for Office Depot purchases with emphasis on the retention of proper supporting documentation.

Management Response: Purchase requests by staff will be prepared by the Office Manager, available funding will be verified by the Fiscal Administrator and the final request will be approved by the Director for submission. Upon receipt of goods, the order will be verified and the invoice will be forwarded to the Fiscal Administrator for payment. Copies will be maintained in the financial and general office files. Each of these practices has now been put into place. In addition, written Office Depot purchasing procedures have been established.

2. Vendor Invoice Documentation

Upon receipt of vendor invoices for payment, responsible employees within the Office of Partnerships should record or stamp the date received on the invoice. We determined that 51 of 62 (82%) purchase order, small purchase order, and blanket purchase order invoices had no date of receipt stamped on the invoices. Therefore, timeliness of payments could not be determined.

Per the County's Department of Purchasing & Supply Management (DPSM) General Conditions and Instructions to Bidders, payment due dates are calculated based upon the later of the date of receipt of goods or the receipt of a correct invoice by the specific department. In addition, unless a prompt payment discount is offered, terms are construed to mean net 30 days.

The effect of this situation is that invoice dates could be incorrectly posted to the purchasing system. This could result in either early or late payments to vendors. Late payments prevent the County from realizing cost savings through payment discount terms. Department personnel were not following the County guidelines to record receipt dates on invoices.

Recommendation: The Office of Partnerships should comply with the provisions issued by the Department of Purchasing and Supply Management to ensure that proper documentation is maintained and to ensure that payments are processed in a timely manner.

Management Response: All mail will be stamped upon receipt and distributed appropriately. Payment of invoices will be made in accordance with County policy using the assurances of the date stamp. These operating practices have now been put into place.

Background

Fairfax County departments utilize certain business processes to conduct their programs and operations. These processes are related to personnel, procurement, fee collection, payment of invoices, asset record keeping and accountability, and departmental computing. They require the use of various computer application systems including PRISM (payroll & personnel), FAMIS (financial transactions), CASPS (purchasing), and departmental stand alone systems. As the County has grown, these processes have become more decentralized and more authority and responsibility have been delegated to individual departments. Therefore, in this environment, it is important that County departments maintain adequate systems of internal controls and adhere to key County policies, procedures and guidelines.

The mission of the Office of Partnerships (OOP) is to develop collaborative relationships and obtain support and resources for underserved families living in Fairfax County. The Office of Partnerships processes transactions for employee personnel actions, procurements and payments. Proper performance of these business processes requires separation of duties, record maintenance and retention, reconciliation of transaction activity, and compliance with Countywide and departmental guidance.